

DRAFT
STATEMENT OF GOVERNOR HALEY BARBOUR
June 22, 2009

As long as I've been Governor, I've called for a fair, permanent, sustainable solution to funding Medicaid, which provides health care for some of Mississippi's most impoverished and needy citizens. Regular legislative sessions and special legislative sessions have come and gone and, yet, even today, no such solution is in place.

Over the past few weeks Senate and House negotiators have been grappling with a budget for state Fiscal Year 2010, which begins in nine days; but next year's budget is made more complicated by the fact that revenues for the current fiscal year are running about \$400 million lower than projections. Some cuts have been made; more are anticipated, because the state – by virtue of our Constitution – must have a balanced budget.

When it comes to Medicaid, the truth is the Legislature's had nearly six years during my tenure to find a fair, permanent, sustainable funding solution. And yet there's been a \$90 million gap each year since 2005, when one of Mississippi Medicaid's funding mechanisms – a voluntary tax that had been paid by hospitals since 1993 – was denied by the federal government.

For the past four fiscal years, Mississippi's hospitals have avoided paying a total of \$360 million in taxes to support a Medicaid program under which they reap huge benefits. The gap has been filled with a combination of one-time money and Katrina disaster funds, again, with the Legislature failing to find a fair, permanent, sustainable solution.

Now, the chickens have come home to roost; the state economy is in trouble and there is no more one-time fix for Medicaid. The fairest solution is to reinstate the tax that was voluntarily paid by hospitals, a tax that generated a \$6 return for hospitals for every \$1 they paid in.

My reading of what was termed an "agreement in principle" by budget negotiators over the weekend reinforces my conviction that the Mississippi Medicaid budget remains out of balance. Egged on by the House leadership, negotiators appear to have simply caved in to demands by the Mississippi Hospital Association in hoping that another round of smoke-and-mirror budgeting will somehow make the funding shortfall disappear. The hospital association wants special treatment; it not only wants its members to be immune from new cuts but also wants to avoid reinstatement of the old taxes. In short, the Mississippi Hospital Association considers itself above the law.

The law – Section xxxxxx –requires that the Medicaid budget be balanced and gives the Governor the authority to manage Medicaid to ensure its sustainability, including the authority to make cuts. The Medicaid budget is out of balance by at least \$34 million for Fiscal Year 2009 and no agreement has been reached for Fiscal Year 2010.

Mississippi's Constitution gives the Senate, the House, and the Governor important roles to play in conducting state business. I again implore legislators to reinstate the \$90 million tax that was voluntarily paid by hospitals for many years as a fair, permanent, sustainable funding solution for Medicaid. Without an agreement on an honest, truly balanced Medicaid budget that protects beneficiaries and taxpayers, there is no reason to call a special session to deal with the overall Fiscal Year 2010 budget.

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